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MONTGOMERY WARD

ANNUAL REPORT

1961 *for the fiscal year
ended Jan. 31, 1962*



RESULTS AT A GLANCE for the fiscal year ended

OPERATIONS

Net sales
Net earnings
Dividends paid

STOCKHOLDERS' INTEREST

Stockholders' investment
Investment per common share (book value)
Earnings per common share
Dividends per common share

The story of Wards' leadership in fashion merchandising is featured on pages six to ten of this report. Fashion accessories pictured on the cover are representative of the variety of items available in the Montgomery Ward 1962 Spring and Summer catalog.



January 31,
1962

February 1,
1961

\$1,325,941,281
15,859,096
14,182,249

\$1,248,993,866
15,053,599
20,619,205

\$ 635,438,336
48.80
1.13
1.00

\$ 640,218,052
48.42
1.07
1.50



John A. Barr, Chairman



Robert E. Brooker, President

To Our Stockholders:

Net sales of \$1,325,941,281 for the 52-week fiscal year ended January 31, 1962 were the highest in the history of the Company and 6.2 per cent higher than the sales of \$1,248,993,866 for the 52-week fiscal year ended February 1, 1961.

Net earnings of the Company were \$15,859,096, equal to \$1.13 per share of common stock. This compared with earnings of \$15,053,599 or \$1.07 per share the previous year.

During the first nine months of the year, earnings were lower than those of the previous year. Substantial improvement in the fourth quarter, however, was sufficient to raise the earnings for the full year above those of 1960.

Common stock dividends of \$12,771,371, equal to \$1.00 per share were paid during the year. Dividends of \$7.00 per share, amounting to \$1,410,878 were paid on the Class "A" stock.

During fiscal 1961, 21 new retail stores were opened, of which 11 were additional stores in markets already served by one or more Ward stores and five were relocations of older stores. Five others were opened in markets new to Wards.

In the past four years, 22 stores have been relocated, 24 have been established in market areas already served by one or more Ward stores, and 16 new stores were established in 12 metropolitan areas where Montgomery Ward had not previously

been represented. As of January 31, 1962 the Company was operating 517 retail stores.

In 1961 we reassessed all phases of our expansion program. To assure steady growth of sales without further impairment of earnings, it was decided to place more emphasis upon the relocation of older stores in markets where Wards already has customer acceptance and experienced staffs and where significant sales growth can be realized through larger stores in better locations. This course will minimize the cost of opening new stores and will permit a quicker return on our investment than can be realized from stores opened in new markets.

The program of modernizing older stores which are in good market areas, but which do not require relocation, is being continued and accelerated.

Concurrently, we will continue the establishment of additional new stores in growing metropolitan areas where one or more Ward stores already are in business. These stores will benefit from the seasoned corps of trained employees in such areas as well as from the economies of advertising programs, warehousing facilities and services which are shared by all of the stores in a metropolitan group.

The Company opened 59 catalog stores in 1961, increasing the total to 676. We expect to continue opening these stores in areas where we can serve our customers more effectively than with retail stores.

Our real estate and facility planning and research activities have been strengthened by the establishment of offices in Baltimore and Oakland to plan and locate new stores in the eastern and western sections of the country. The mid-west area will continue to be served from our Chicago Offices.

In February 1961 Montgomery Ward Credit Corporation sold \$50,000,000 of long term debentures for the purpose of purchasing additional accounts receivable from the parent Company. Total debt of the Credit Corporation at the end of 1961 was \$180,119,447 of which \$100,000,000 was long term.

The Company's real estate subsidiaries owned 13 properties at the end of the year for the parent Company's use and had outstanding long term debt of \$18,829,000.

The Company's capital needs continue to be supplied adequately through these subsidiaries and there are no plans for additional long term financing at this time.

On July 2, 1961 Harry P. Davison, a director of Montgomery Ward for 20 years, died following a brief illness. We record his death with deep sorrow.

On June 14, 1961 the Board of Directors accepted the resignation of Paul M. Hammaker as president of the Company and as a director. On August 11, 1961 the resignation of Edmund P. Platt as executive vice president and as a director was accepted.

On November 2, 1961 the Board of Directors elected Robert E. Brooker as president and executive officer of the Company. Mr. Brooker had served three years as president of the Whirlpool Corporation. Previously he was with Sears, Roebuck & Co. for 14 years as a buyer, a merchandise department supervisor, a vice president and a director.

On March 1, 1962 the Board of Directors increased the size of the Board from 12 members to 13.

Two of the Company's longest service directors are retiring from the Board on May 10, 1962, the date of our annual meeting of stockholders. They are Percy B. Eckhart, senior partner of the law firm of Eckhart, Klein, McSwain & Campbell, a director for 26 years, and Solomon A. Smith, chairman of The Northern Trust Company, Chicago, a director for 15 years. Both have ably served the interests of the stockholders of Montgomery Ward with loyalty and integrity and we express our appreciation to them for their many contributions to the welfare of the Company.

Nominees being proposed to fill the six vacancies on the Board of Directors are:

Robert E. Brooker, president of the Company.

Elliott V. Bell, editor and publisher of Business Week magazine.

Fairfax M. Cone, chairman of the executive committee of Foote, Cone & Belding, advertising agency, Chicago.

Donald M. Graham, vice chairman of the Continental Illinois National Bank and Trust Company of Chicago.

James J. Nance, president of the Central National Bank of Cleveland.

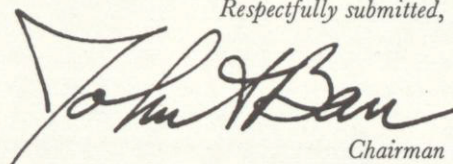
Charles W. Wood, vice president and general merchandise manager of the Company.

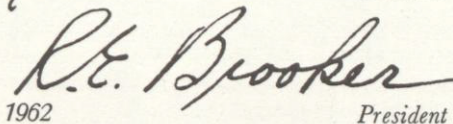
The addition of these men with broad experience in the fields of distribution, merchandising, manufacturing, business research and finance will bring new strength to our Board of Directors.

The Company has a loyal corps of competent retail merchants in its field organization and in its central buying departments, and we expect to develop most of our future managerial executives from these men through management training and development programs. In order to provide adequate incentives to those who are promoted to positions of greater responsibility, and to attract new executive personnel to complement our expanding business, the directors recommend that the stockholders authorize the use of 200,000 additional shares of common stock for option purposes under the stock option plan approved in 1957.

We believe that our earnings will continue to improve over those of last year. The general economy is stronger, we are benefiting from the new store program of the past four years, and our organization has been strengthened to more effectively promote programs that offer better values and services to our increasing number of customers.

Respectfully submitted,


Chairman


President

April 2, 1962

Financial Statistics

Net sales of Montgomery Ward in 1961 established a new record high for the third consecutive year and surpassed 1960 sales by 6.2%. For the comparable 52-week periods, total sales were \$1,325,941,281 as compared with \$1,248,993,866 last year.

Sales through retail stores, excluding sales from Company catalogs, accounted for 67.5% of the total, amounting to \$894,911,311 as compared with \$837,098,937 last year, an increase of 6.9% and a new retail record.

Sales through catalogs accounted for 32.5% of total sales or \$431,029,970 as compared with \$411,894,929 last year—an increase of 4.6%.

The five year growth of sales through retail stores and through catalogs is charted above. Since 1957, sales from retail stores increased 25.9%. During this same period, sales from catalogs increased 18.7%.

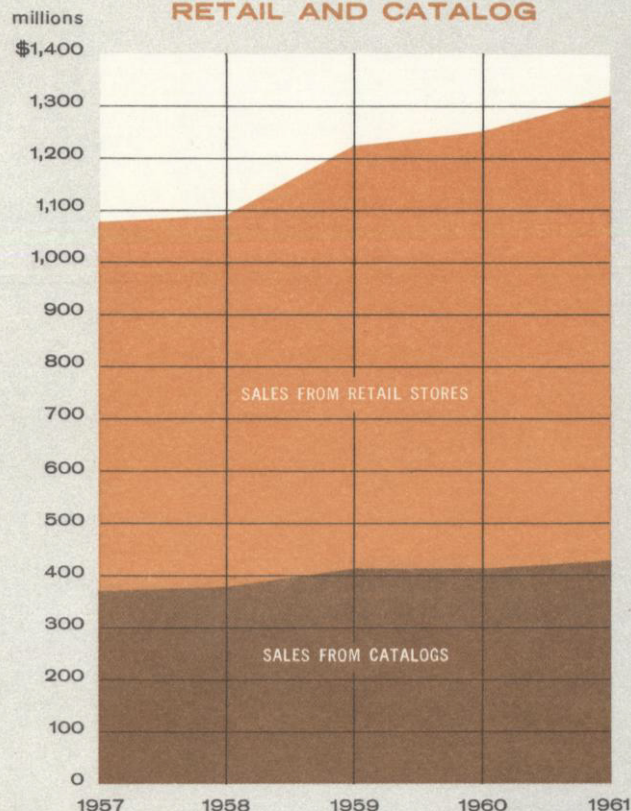
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The total amount of customer credit outstanding at the end of the year was approximately \$27,334,000 greater than a year ago.

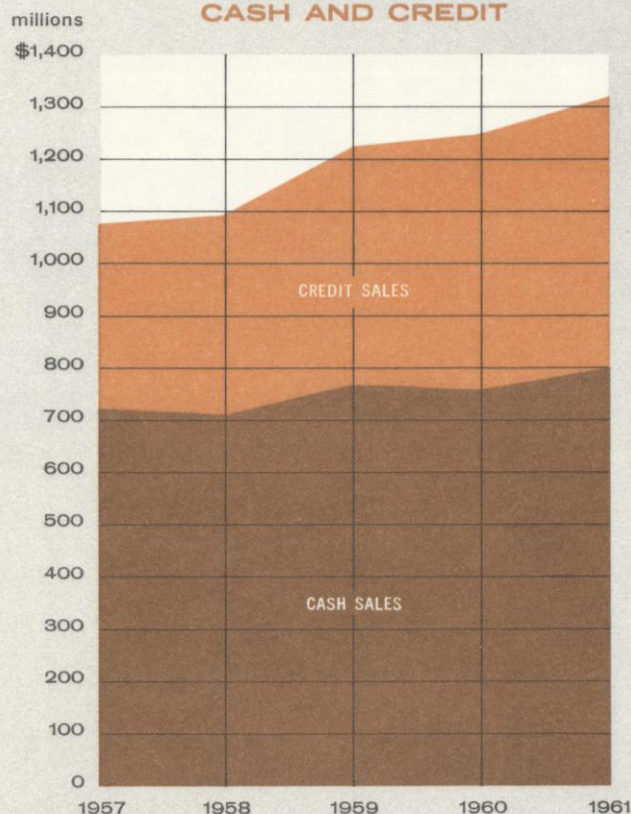
During the past year, credit sales amounted to 40% of total sales as compared with 33.6% in 1957. For the five year period credit sales have increased at approximately double the rate at which total net sales have increased.

The extension of credit service to meet the needs of additional customers during the past five years has been an important factor in strengthening the Company's competitive position. Wards' accounts receivable at the end of the year were principally represented by 2,452,000 time payment accounts and 980,000 revolving charge accounts. Revolving charge sales now represent more than one-quarter of the total credit sales of the Company.

TOTAL SALES RETAIL AND CATALOG



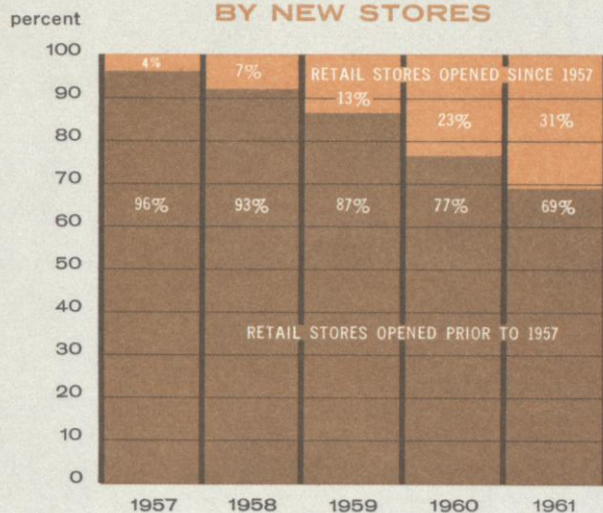
TOTAL SALES CASH AND CREDIT



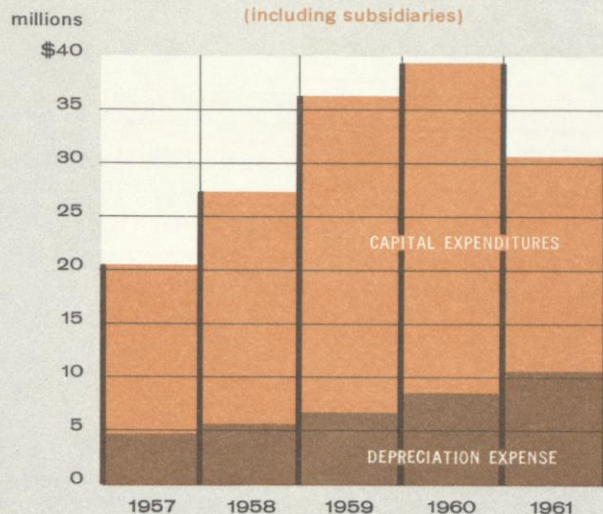
NUMBER OF RETAIL STORES BY VOLUME



PERCENT OF RETAIL SALES BY NEW STORES



CAPITAL EXPENDITURES (including subsidiaries)



At the end of 1961, 517 retail stores were in operation as compared with 529 at the end of 1960, and 554 at the end of 1957. During the past five years, an increasing portion of the Company's total retail sales has been made by the large stores, those with an annual volume greater than \$3,000,000. As large new stores have been opened and as small and poorly located stores have been closed, the proportion of sales by the medium-size and small stores has declined.

* * *

Since 1957, 62 new retail outlets have been added, including 58 new Ward stores and the four Fair stores in the Chicago area.

These new stores accounted for 31% of total retail sales in 1961, an average of \$4,467,406 sales per store. The remaining 455 older stores accounted for 69% of retail sales, averaging \$1,358,093 sales per store. Percentage-wise, average sales per store have increased 35% in this five year period. The percentage of sales from new stores will increase as additional new stores are opened each year.

* * *

Total capital expenditures, including subsidiaries, dropped to \$30,537,015 in 1961 as compared with \$39,746,106 in 1960.

This decrease reflects the completion in 1960 of the Company's 1957 program of expanding its distribution center facilities. 1961 expenditures were primarily for new retail stores.

As the Company has increased its investments in stores and warehouses, depreciation and amortization charges have increased. In 1961 they were \$10,375,067 as compared with \$4,517,949 in 1957.



Since 1872, when bustles, hoops and other 19th century fashion essentials were offered in the first mail order "catalog" ever to be published, fashion buyers and specialists of Montgomery Ward have been carefully discerning fashion trends to meet the changing needs and desires of American women. Now, in the 1960s, a new

world of fashion that once was a remote mirage in the pages of exclusive class magazines is being brought to the average American home. In the pages of its catalogs and through newspaper advertisements, Montgomery Ward is proving that good fashions no longer need to be high priced.

The fashions of the "sixties" are encompassing a greater variety of designs, of fabrics and trimmings than ever before and also are developing a trend toward international or universally accepted styles as the modes of living in our "one world" become more similar. American women today can dress as fashionably as the mannequins of Paris and Rome, the skiers of Austria and Switzerland, the heiresses of New York and Dallas, and the vacationers of the Caribbean and Waikiki. This is possible because these fashions and fads—whether they be stretch pants, mu-mus, Kookie whimsies, or suits of Italian knits—are being adapted in design, style, fabric and price to American standards of quality and reliability by Wards' buyers, designers, laboratories and manufacturers.

The interest of Montgomery Ward in giving its customers selections of styles and designs from European and American couturiers and boutiques, as well as quality fabrics and workmanship from all countries, has established for Wards a distinguished reputation for quality fashion apparel and accessories to meet the needs and desires of Miss and Mrs.



America. This reputation is supported by the fact that one out of every six women will buy fashion merchandise from Montgomery Ward in 1962.

Montgomery Ward has earned its present eminent position as one of the most influential fashion leaders of our country by increasing its sales of fashion merchandise in the past five years at more than double the growth rate of the entire fashion industry in the United States.

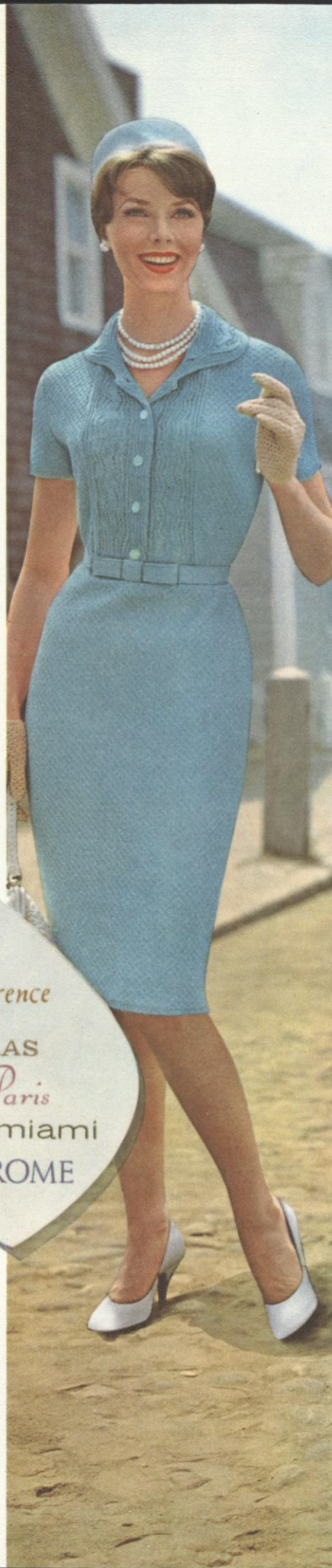
This national market of 15½ billion dollars, representing expenditures by 70,000,000 women—including 10,000,000 in the teen-age group—is shared by many retailers who cater to the individual tastes of small groups of customers in their own local communities. Yet, in the face of both local and national competition, Montgomery Ward in the past few years has aggressively asserted its leadership in the new world of fashion.



Through their world-wide fashion travels, Wards' buyers develop many excellent values for customers. An outstanding example last year was the copying of an Italian bulky knit, long wool sweater which was being sold for \$14.98 by most retailers. Wards arranged for the manufacture of a similarly fashioned sweater in Orlon instead of wool and priced it at \$8.98 in the Christmas catalog. More than 24,000 customers bought this sweater in various colors. It was the right fashion item at the right price, another evidence of the merchandising service offered by Wards to its customers.

Although Wards' policy is to buy American merchandise primarily—about 98 per cent of its total purchases—it does search out and consider new ideas and new products being developed in other countries. Wards' Fashion Coordinator and buyers attend and participate in the Spring and Fall couturier showings in Rome, Florence, Paris and London. They purchase originals from such top couturiers as Balenciaga, Nina Ricci, Jacques Heim and Givenchy, side-by-side with the buyers from the best of the fashion shops of Fifth Avenue. These are then adapted to meet the desires and needs of American customers and are manufactured by leading American firms experienced in meeting Wards' specifications for quality.

*Fashions
set the pace
for leadership*



Brentshire

THE NAME OF "BRENTSHIRE" IS MORE THAN A LABEL—IT IS A NEW STANDARD OF FASHION QUALITY, DEVELOPED BY EXPERTS FOR THE EXCLUSIVE USE OF WARDS.

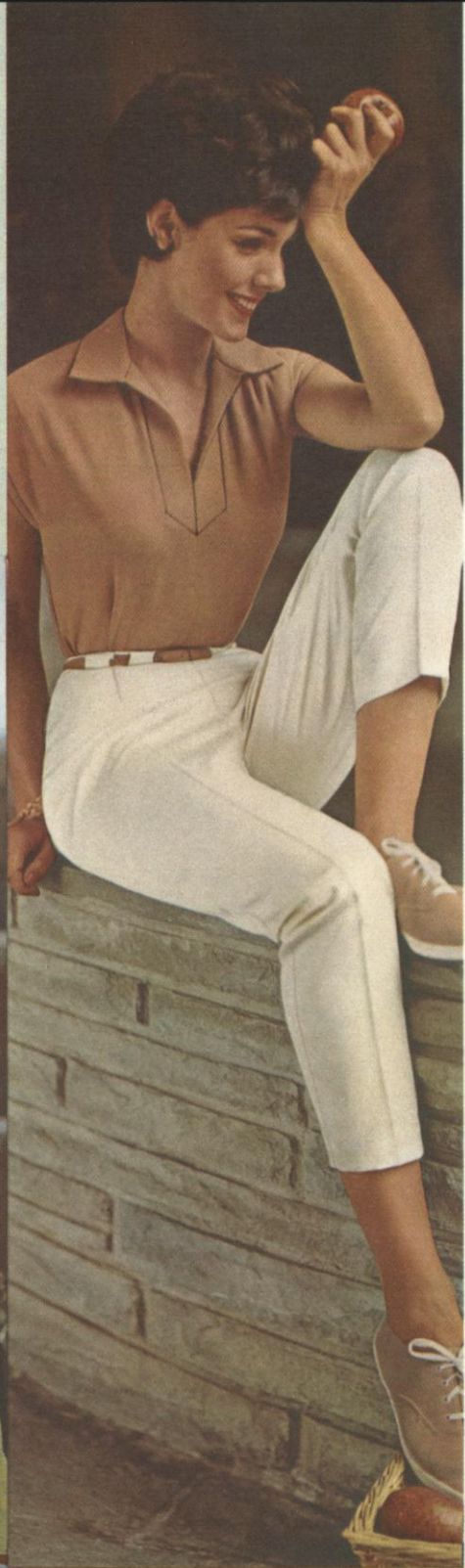




Brentshire

"DESIGNERS' COLLECTION"

FAMOUS FASHION DESIGNERS CONTRIBUTE TO MONTGOMERY WARD'S FASHION LEADERSHIP BY CREATING ACCESSORIES AND APPAREL FOR EXCLUSIVE OFFERINGS AS THE "BRENTSHIRE DESIGNERS' COLLECTION." SUCH CREATIONS AS THIS JOHN FREDERICS DOUBLE BREASTED SUIT OFFER THE GLAMOUR OF COUTURIER CLOTHES AT PRICES THAT FIT THE AMERICAN FAMILY BUDGET.



Casual

AND PLAYWEAR CREATIONS ARE AMONG THE MOST POPULAR OF WARDS' FASHION LINES, FEATURING FREE AND EASY FUN AND FROLIC APPAREL FROM LOS ANGELES, DALLAS, MIAMI, NEW YORK, FRANCE AND ITALY.



YOUNG JUNIOR SHOPS IN WARD STORES NOW OFFER SPECIAL FASHIONS FOR THE 13 TO 20 AGE GROUP.





In extending its fashion buying activities, Wards is increasingly using its new buying offices in Florence, Vienna, London, Frankfurt, Tokyo, Dallas and Los Angeles. Through these offices, important and profitable business has been developed in such key lines as sweaters, coats, knit dresses, blouses, costume jewelry, gloves, shoes, sportswear and swimwear. More aggressive participation in the markets of Miami, Dallas and Los Angeles is giving Wards an unmatched variety of smartly-styled American fashions for resort and play wear.

Another testimony to Wards' fashion leadership is the "Brentshire Designers' Collection" created exclusively for Montgomery Ward by leading American fashion designers. The willingness of such individuals to lend their names to Wards' apparel and accessories is a distinctive recognition of the fashion leadership and fashion reputation of Montgomery Ward.

A new standard of quality also is being popularized by Montgomery Ward in its "Brentshire" line of fashions. These are wearable American fashions, simple and classic in design, that will stay in style for a long time because they are in good taste.

Each season, designs are chosen by a panel of fashion experts at Wards. Fabrics must be

superior and workmanship must be meticulous. "Brentshire" selections also offer important extras, such as extra buttons, extra-deep hems, laboratory tested washability, hand tailoring where necessary and special finishes of fabrics.



All-in-all, the "Brentshire" name represents the very best fashion value that can be found in any store. It is a value that is being advertised in the best of fashion magazines as well as in local newspapers.

A new fashion awareness has developed in recent years among young juniors for sportswear, casuals and dress-ups. As this interest has developed, Wards has established "Young Junior" shops in its retail stores and catalogs. Wards was the first national retailer to give separate identity to this younger set, establishing a special buying and merchandising department that plans new and complete assortments of fashions for their exclusive use. The individuals in this burgeoning age group of 13 to 20 already are buying more clothing per capita than any other group of women and soon will be tomorrow's homemakers and the parents of our next generation of Americans.

A distinguished reputation for quality fashions





To deliver the newest fashions to women from West Palm Beach to San Diego and from Coeur D'Alene to Baton Rouge requires a fast moving organization of experienced and knowledgeable buyers co-ordinating their efforts with electronic computers and jet planes.

As fast as fashions change

The marketing of fashions is becoming a science as well as an industry. The prediction of buying trends, as based upon early-season preferences of customers, is being expedited by electronic data processing machines. Price and descriptive tags, pre-punched for use in electronic computers, list information about fabric, color, size, price and style. When each garment is sold, the tag is removed and sent to the New York data processing center.

Twice each week this data is compiled from all stores to determine what Wards' customers are buying and what they like. This system makes it possible for Ward buyers to reorder and ship popular fashion items promptly. Most stores now receive new fashions and replenishments twice every week.

Wards knows that fashions are the key to customer traffic in its stores and it knows that women are interested only in new and fresh fashions. As fast

as fashion tastes change, it is able to offer new styles to satisfy the wants and desires of its customers. Wards can do this by operating one of the fastest and most modern systems of marketing fashions yet adopted by any major retailer. In fact, Wards is one of the largest users of air freight in the country.

Because each fashion garment is sold by one individual to another individual, it is Wards' policy to provide its sales people with as much information about the fashion market as is known by its buying office specialists. With such information, sales personnel can give customers authentic fashion counselling. Letters from the Company's Fashion Coordinator, sometimes mailed from France and Italy, keep Ward stores up-to-the-minute on all fashion information—a service that few retailers can offer.

Through Wards' quality control laboratory and its labeling section, standards of quality are determined and garments are labeled so the customer will know exactly how to care for the fabric during laundering, cleaning and pressing. Such descriptive labeling helps sales personnel as well as customers. Wards leaves nothing to guesswork.

Whether it be fashions or refrigerators, every item of merchandise must meet the Company's quality and performance specifications because Wards guarantees its fashions as it has guaranteed all of its products for the past 90 years.

Quality standards are applied strictly and frequently to each shipment of Wards' fashion merchandise by inspectors and buyers.



Consolidated Statements of Earnings and Earnings Reinvested

for the 52-week periods ended January 31, 1962 and February 1, 1961

1962

1961

EARNINGS

NET SALES	\$1,325,941,281	\$1,248,993,866
COSTS AND EXPENSES:		
Cost of merchandise sold, including net buying, operating, selling and administrative expenses other than itemized herein	\$1,236,919,908	\$1,165,562,192
Rents	19,999,445	16,836,768
Repairs and maintenance	5,466,798	5,396,392
Depreciation and amortization	9,852,659	8,317,153
Contribution to employees' retirement plan	3,635,647	3,596,045
Property, social security and state taxes	23,437,912	21,932,236
Provision for Federal taxes on income	13,660,000	14,340,000
Total costs and expenses	\$1,312,972,369	\$1,235,980,786
NET EARNINGS FROM OPERATIONS	\$ 12,968,912	\$ 13,013,080
NET EARNINGS OF SUBSIDIARIES NOT CONSOLIDATED (Note 1)	2,890,184	2,040,519
NET EARNINGS	\$ 15,859,096	\$ 15,053,599

EARNINGS REINVESTED

BALANCE AT BEGINNING OF YEAR	\$ 415,670,115	\$ 421,235,721
NET EARNINGS	15,859,096	15,053,599
Total	\$ 431,529,211	\$ 436,289,320
CASH DIVIDENDS:		
Class A stock—\$7.00 per share	\$ 1,410,878	\$ 1,410,878
Common stock—\$1.00 per share in fiscal 1961 and \$1.50 per share in fiscal 1960	12,771,371	19,208,327
Total	\$ 14,182,249	\$ 20,619,205
BALANCE AT END OF YEAR	\$ 417,346,962	\$ 415,670,115

Explanatory financial notes to this statement appear on page 15.

Consolidated Balance Sheet

as of January 31, 1962 and February 1, 1961

ASSETS

CURRENT ASSETS:

Cash	\$ 27,742,867	\$ 28,994,493
Marketable securities, at cost (including \$20,000,000 of Montgomery Ward Credit Corporation commercial paper in 1961)	8,178,232	27,770,255
Receivables, principally time payment accounts (including in 1962, \$26,708,251 equity in \$267,082,503 of receivables and in 1961, \$18,601,751 equity in \$186,017,509 of receivables, sold without recourse to Montgomery Ward Credit Corporation), less reserves for doubtful accounts and unearned carrying charge income of \$18,128,312 in 1962 and \$18,969,046 in 1961	206,119,246	241,848,794
Merchandise inventories, at the lower of cost or market	296,174,404	266,784,895
Prepaid catalog costs, supplies, etc.	25,716,899	25,337,319
Total current assets	<u>\$563,931,648</u>	<u>\$590,735,756</u>

NET EQUITY IN SUBSIDIARIES NOT CONSOLIDATED (See Note 1 and accompanying balance sheets)

\$ 56,434,803	\$ 37,540,519
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PROPERTIES AND EQUIPMENT, at cost:

	1962	1961
Land		\$ 12,281,218
Buildings	\$ 81,043,747	\$ 83,755,435
Fixtures and equipment	87,613,836	71,392,491
Total buildings, fixtures and equipment.	<u>\$168,657,583</u>	<u>\$155,147,926</u>
Less—Reserves for depreciation	68,486,591	65,093,991
Leasehold improvements, after amortization	100,170,992	90,053,935
Total properties and equipment.	<u>\$121,861,235</u>	<u>\$111,738,927</u>
	<u>\$742,227,686</u>	<u>\$740,015,202</u>

LIABILITIES

CURRENT LIABILITIES:

Accounts payable and other liabilities	\$ 62,748,917	\$ 59,042,768
Accrued expenses	32,297,716	28,990,697
Federal taxes on income	7,778,717	10,046,685
Total current liabilities	<u>\$102,825,350</u>	<u>\$ 98,080,150</u>

DEFERRED FEDERAL TAXES ON INCOME

\$ 3,964,000	\$ 1,717,000
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CAPITAL STOCK AND EARNINGS REINVESTED:

Class A stock, no par value—		
Authorized 205,000 shares noncallable, \$7.00 per share cumulative dividends; issued 201,554 shares, stated at liquidating value	\$ 20,155,400	\$ 20,155,400
Common stock, no par value—	1962	1961
Authorized 20,000,000 shares; issued 13,004,756 shares, at stated value	\$211,231,385	\$211,231,385
Earnings reinvested in the business	417,346,962	415,670,115
Total of common stock and earnings reinvested in the business	<u>\$628,578,347</u>	<u>\$626,901,500</u>
Less—Treasury common stock, 396,360 shares in 1962 and 199,060 shares in 1961, at cost	13,295,411	6,838,848
Total capital stock and earnings reinvested	<u>\$615,282,936</u>	<u>\$620,062,652</u>
	<u>\$742,227,686</u>	<u>\$740,015,202</u>

Explanatory financial notes to this statement appear on page 15.

Montgomery Ward Credit Corporation

Balance Sheet as of January 31, 1962 and February 1, 1961

1962

1961

ASSETS

CURRENT ASSETS:

Customers' deferred payment accounts purchased without recourse from Montgomery Ward & Co., Incorporated	\$267,082,503	\$186,017,509
Less portion of purchase price withheld pending collection (including allowance for estimated uncollectible accounts of \$2,670,825 in 1962 and \$1,860,175 in 1961).	26,708,251	18,601,751
	<u>\$240,374,252</u>	<u>\$167,415,758</u>
Cash	2,076,215	1,086,367
Prepaid interest on notes payable	178,542	216,367
Total current assets	<u>\$242,629,009</u>	<u>\$168,718,492</u>

DEBENTURE DISCOUNT AND EXPENSE, after amortization	1,508,741	962,085
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OTHER ASSETS	47,485	39,277
	<u>\$244,185,235</u>	<u>\$169,719,854</u>

LIABILITIES

CURRENT LIABILITIES:

Notes payable	\$ 76,553,000	\$ 74,618,762
Accrued interest and other liabilities	1,510,775	393,109
Federal taxes on income	2,055,672	1,410,000
Total current liabilities	<u>\$ 80,119,447</u>	<u>\$ 76,421,871</u>

LONG TERM DEBT:

4 $\frac{7}{8}$ % Debentures, due July 1, 1980	\$ 50,000,000	\$ 50,000,000
4 $\frac{3}{4}$ % Debentures, due February 1, 1981	25,000,000	—
5 $\frac{1}{4}$ % Subordinated Debentures, due February 1, 1981	25,000,000	—
Total long term debt	<u>\$100,000,000</u>	<u>\$ 50,000,000</u>

UNEARNED DISCOUNT ON DEFERRED PAYMENT ACCOUNTS.	\$ 9,159,236	\$ 6,257,081
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INVESTMENT OF MONTGOMERY WARD & CO., INCORPORATED:

Common stock, \$100 par value—		
Authorized 500,000 shares; issued and outstanding 250,000 shares	\$ 25,000,000	\$ 25,000,000
Capital in excess of par value	25,000,000	10,000,000
Earnings reinvested in the business:		
Balance at beginning of year	1962 \$ 2,040,902	1961 \$ —
Net earnings	2,865,650	2,040,902
	4,906,552	2,040,902
Total investment of Montgomery Ward & Co., Incorporated	<u>\$ 54,906,552</u>	<u>\$ 37,040,902</u>
	<u>\$244,185,235</u>	<u>\$169,719,854</u>

Explanatory financial notes to this statement appear on page 15.

M-W Properties Corporation

Balance Sheet *as of January 31, 1962 and February 1, 1961*

ASSETS

CURRENT ASSETS:

Cash	\$ 275,586	\$ 55,823
Marketable securities, short term, at cost (Montgomery Ward Credit Corporation commercial paper in 1962)	501,528	549,866
Total current assets	\$ 777,114	\$ 605,689

PROPERTIES *(Leased to Montgomery Ward & Co., Incorporated)* **at cost:**

Land	\$ 2,337,537	\$ 2,262,647
Buildings, less reserves for depreciation of \$2,512,180 in 1962 and \$217,656 in 1961	16,927,264	16,478,588
Total properties	\$19,264,801	\$18,741,235

FINANCING EXPENSE, after amortization

\$ 86,411	\$ 75,088
\$20,128,326	\$19,422,012

LIABILITIES

CURRENT LIABILITIES:

Accrued expense	\$ 2,028	\$ 66,283
Federal taxes on income	21,200	1,700
Principal payments of 5¼% secured notes due within one year	288,000	271,000
Total current liabilities	\$ 311,228	\$ 338,983

5¼% SECURED NOTES, due serially to February 1, 1991, less principal payments due within one year

\$18,541,000	\$18,829,000
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INVESTMENT OF MONTGOMERY WARD & CO., INCORPORATED:

Common stock, \$100 par value—		
Authorized 25,000 shares; issued and outstanding 12,541 shares in 1962 and 2,500 shares in 1961	\$ 1,254,100	\$ 250,000
Earnings reinvested in the business:		
Balance at beginning of year	\$ 4,029	\$ —
Net earnings	17,969	4,029
Total investment of Montgomery Ward & Co., Incorporated	\$ 1,276,098	\$ 254,029
	\$20,128,326	\$19,422,012

Montgomery Ward Realty Corporation

Balance Sheet *as of January 31, 1962 and February 1, 1961*

ASSETS

CURRENT ASSETS:

Cash	\$ 46,842	\$ 25,055
Marketable securities, short term, at cost	—	224,945
Prepaid taxes	66,500	—
Total current assets	\$ 113,342	\$ 250,000

PROPERTIES *(Acquired for use of Montgomery Ward & Co., Incorporated)* **at cost:**

Land (including \$1,202,670 undeveloped)	\$ 3,020,962	\$ 3,001,380
Buildings, less reserves for depreciation of \$46,275	5,539,266	—
Leasehold improvements, after amortization	2,917,339	—
Total properties	\$11,477,567	\$ 3,001,380
	\$11,590,909	\$ 3,251,380

LIABILITIES

CURRENT LIABILITIES:

Notes and accounts payable to Montgomery Ward & Co., Incorporated	\$11,335,551	\$ 3,000,974
Accrued expense	2,205	4,818
Federal taxes on income	1,000	—
Total current liabilities	\$11,338,756	\$ 3,005,792

INVESTMENT OF MONTGOMERY WARD & CO., INCORPORATED:

Common stock, \$100 par value—		
Authorized 25,000 shares; issued and outstanding 2,500 shares	\$ 250,000	\$ 250,000
Earnings reinvested in the business:		
Balance at beginning of year (deficit)	\$(4,412)	\$ —
Net earnings (loss)	6,565	(4,412)
Total investment of Montgomery Ward & Co., Incorporated	\$ 252,153	\$ 245,588
	\$11,590,909	\$ 3,251,380

Explanatory financial notes to these statements appear on page 15.

Notes to Financial Statements

MONTGOMERY WARD & CO., INCORPORATED

1. The consolidated statements include all subsidiaries except Montgomery Ward Credit Corporation, M-W Properties Corporation, and Montgomery Ward Realty Corporation, wholly owned subsidiaries for which separate balance sheets are presented in this report. The net equity of subsidiaries not consolidated is stated in the consolidated balance sheet at the amount of the Company's investments in the capital of such subsidiaries plus accumulated profits and losses in the net amount of \$4,930,703 as of January 31, 1962, which amount is included in Earnings Reinvested.

2. Under a retirement pension plan established by the Company and its subsidiaries, there was an estimated unfunded past-service liability of approximately \$33,000,000 as of January 31, 1962. Provision was made during the fifty-two week period ended January 31, 1962, for interest on past-service liability and full funding of current-service liability.

3. As of January 31, 1962, 390,560 shares of authorized but unissued common stock of the Company had been reserved for issuance to officers and key employees under a restricted stock option plan. On that date 181 individuals held options for 339,980 shares (options for 118,680

shares were exercisable) at prices ranging from \$26 $\frac{7}{8}$ to \$47 $\frac{7}{8}$ per share as fixed by the closing price of the stock on the New York Stock Exchange on the dates granted. Each option is for ten years and is exercisable ten per cent per year on a cumulative basis, commencing one year from date of grant. Reacquired common stock may be issued in lieu of authorized but unissued stock. During the 1961 fiscal year no stock options were exercised. On March 1, 1962 the Board of Directors recommended that the stockholders authorize the use of 200,000 additional shares of common stock for option purposes.

4. The Company had 698 leases in effect as of January 31, 1962 having terms of more than three years after that date. These leases provided for present aggregate minimum annual rentals of approximately \$16,434,000 (of which \$2,492,000 is payable to M-W Properties Corporation and Montgomery Ward Realty Corporation) plus, in certain instances, real estate taxes and other expenses. Additional amounts based upon percentage of sales may become due on 22 per cent of these leases. The Company has no obligations under any of these leases beyond the year 1993 except for ground leases of two stores which extend through the years 2020 and 2029.

MONTGOMERY WARD CREDIT CORPORATION

Under the Indentures relating to the 4 $\frac{7}{8}$ % and 4 $\frac{3}{4}$ % Debentures, the Credit Corporation may not declare dividends on, or acquire any of its common stock if, after giving effect to such transactions, current assets as de-

fined in the Indentures are not at least equal to 120 per cent of total liabilities as defined in the Indentures. As of January 31, 1962 the Company's earnings reinvested in the business were not restricted under these provisions.

Auditors' Opinion

To the Stockholders and Board of Directors, Montgomery Ward & Co., Incorporated:

We have examined the consolidated balance sheet of Montgomery Ward & Co., Incorporated (an Illinois corporation) and subsidiaries as of January 31, 1962, and the related consolidated statements of earnings and earnings reinvested for the 52-week period then ended. We have also examined the balance sheets of Montgomery Ward Credit Corporation, Montgomery Ward Realty Corporation, and M-W Properties Corporation (all Delaware corporations) as of January 31, 1962. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included

such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements referred to above present fairly the financial position of the companies as of January 31, 1962, and the consolidated results of their operations for the 52-week period then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Chicago, Illinois, March 14, 1962

Arthur Andersen & Co.



FOR HOME

This Suburbia furniture is one of many coordinated lines developed by Wards.



FOR RECREATION

Boats and motors are priced and powered for all customers.



FOR TRAVEL

Safety and economy are assured by complete Ward auto service.

Five-Year Statistical Summary

for fiscal years ended

*January 31,
1962*

OPERATIONS

Net Sales	\$1,325,941,281
Net Earnings	15,859,096
Dividends	14,182,249
Earnings Reinvested or (<i>in italics</i>) Paid Out to Stockholders from earnings of previous years	1,676,847
Additions to Properties and Equipment, including consolidated subsidiaries	23,632,379
Nonconsolidated subsidiaries	6,904,636
Depreciation and Amortization, including consolidated subsidiaries	9,852,659
Nonconsolidated subsidiaries	522,408
Average Number of Employees	72,106

FINANCIAL POSITION

Working Capital (<i>after intercompany adjustments</i>) including consolidated subsidiaries	\$ 449,767,743
Nonconsolidated subsidiaries	163,088,589
Accounts Receivable (<i>after intercompany adjustments</i>) including consolidated subsidiaries	194,780,691
Nonconsolidated subsidiaries	240,374,252
Inventories	296,174,404
Net Investment in Properties and Equipment, including consolidated subsidiaries	121,861,235
Nonconsolidated subsidiaries	30,754,648
Long Term Debt, Nonconsolidated subsidiaries	118,541,000

STOCKHOLDERS' INTEREST

Capital Stock and Earnings Reinvested	\$ 635,438,336
Investment per Common Share (<i>book value of shares outstanding at end of year</i>)	48.80
Earnings per Common Share (<i>on average number of shares outstanding during the year</i>)	1.13
Dividends per Common Share	1.00
Shares Outstanding	
Class A	201,554
Common	12,608,396
Number of Stockholders	108,194

DIRECTORS

John A. Barr
Chairman of the Board
Philip R. Clarke
Chairman, Executive Committee
Russell P. Bygel
Percy B. Eckhart
Charles J. Kushell, Jr.
Lenox R. Lohr
Ernest S. Marsh
Robert L. Milligan
Solomon A. Smith

OFFICERS

John A. Barr, *Chairman*
Robert E. Brooker, *President*
Russell P. Bygel, *Vice President, Regional Operations*
Harold F. Dysart, *Vice President and Controller*
Julius P. Hansen, *Vice President*
Charles J. Kushell, Jr., *Financial Vice President*
James E. McCulloch, *Vice President, Personnel*
Lester O. Naylor, *Vice President*
Charles W. Wood, *Vice President, Merchandising*
Andrew Lamb, *Treasurer*
Charles J. Barnhill, *Secretary*
John M. Clark, *Assistant Treasurer*
Harold W. Bancroft, *Assistant Secretary*

TRANSFER AGENTS

The Northern Trust Company, Chicago, Ill.
Morgan Guaranty Trust Company of New York, New York, N.Y.

REGISTRARS

The First National Bank of Chicago, Chicago, Ill.
Bankers Trust Company, New York, N.Y.

General Offices: 619 West Chicago Avenue, Chicago 7, Illinois

<i>February 1, 1961</i>	<i>February 3, 1960</i>	<i>January 28, 1959</i>	<i>January 31, 1958</i>
\$1,248,993,866	\$1,222,596,263	\$1,092,267,472	\$1,073,799,422
15,053,599	30,656,537	28,030,510	29,696,757
20,619,205	27,010,180	27,011,140	30,507,029
(5,565,606)	3,646,357	1,019,370	(810,272)
22,339,716	36,073,835	27,271,255	20,476,338
17,406,390	—	—	—
8,317,153	6,429,527	5,334,929	4,517,949
218,536	—	—	—
67,258	63,153	58,152	59,714
\$ 469,648,372	\$ 541,005,545	\$ 566,551,714	\$ 587,609,314
112,812,358	—	—	—
238,845,291	356,590,631	305,325,253	277,179,867
167,415,758	—	—	—
266,784,895	260,218,266	242,026,480	227,432,485
111,741,337	104,691,071	75,225,195	53,578,754
21,755,732	—	—	—
68,829,000	—	—	—
\$ 640,218,052	\$ 645,696,616	\$ 641,776,909	\$ 641,188,068
48.42	48.85	48.57	48.49
1.07	2.28	2.08	2.19
1.50	2.00	2.00	2.25
201,554	201,554	201,554	201,554
12,805,696	12,803,406	12,796,256	12,808,556
107,609	106,006	99,956	92,127

